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Passion in the portfolio: Luxury collectibles as alternative assets
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When clients hear "alternative investments," they probably think of opportunities available to the high net worth set. Historically, there has been good reason for that assumption.

Significant minimums, high fees, lack of liquidity, difficult due diligence, taxation issues and often opaque pricing structures are some of the barriers to entry. While the push to "democratize" alternatives has picked up steam in recent years, many clients — and advisors — still stay away.

But one type of alternative asset is probably more familiar and attainable to the average investor: collectibles. Under this umbrella falls everything from wine and whiskey to cars, handbags, guitars, watches and more.

Most collectors don't start out with a well-thought-out investment strategy. Far from it. Instead, they often build collections driven by individual passions rather than financial plans. For casual enthusiasts, collecting rarely makes financial sense beyond personal enjoyment.

But that doesn't mean collectibles never pay off. With proper storage, sourcing, research, patience and a bit of luck, such investments can hold their value and sometimes deliver healthy returns.

Take wine, for example: A bottle of 2005 Domaine de la Romanée-Conti (a red Burgundy), bought in 2009 for $10,000 to $11,000, can now fetch up to $22,000.

And the original Birkin bag, designed for and gifted to singer and actress Jane Birkin by Hermès in 1985, sold at auction in July for $10 million.

Kurt Cobain's 1959 Martin D-18E acoustic guitar, which he bought in 1992 for $5,000 and used during Nirvana's "MTV Unplugged" performance two years later, smashed records at auction in 2020 when it sold for $6,010,000.

The vast majority of collectors will not replicate such eye-popping returns. And experts say basing a portfolio on collectibles is a shaky proposition at best and a complete mistake at worst.

However, with the right transactions, clients could make enough to self-fund their collecting.

Scroll down the slideshow to read more on six cases in which collectibles can serve as investments.

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Cheers to wine investment
What's more fun to discuss at a dinner party: how you just invested in an index fund, or a bottle of 2000 Château Mouton Rothschild purchased for hundreds that may now be worth thousands?

Luxury wine can be a solid investment for the right buyer in the right market, but with the global waning of alcohol demand and long, sometimes difficult warehousing concerns, "drinking for free" may be the best a collector could hope for.

READ MORE: Liquid assets? How fine wine can age well as an investment

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Getting a taste for whiskey investment
There's a lot to know about whiskey. Or is it whisky, no "e"? Or is it bourbon? (To review: Scotch whisky comes from Scotland. Whiskey is from Ireland, and the U.S. bourbon is associated with spirits produced in Kentucky.)

Then there's the difference between buying bottles and casks, the latter of which can range in size from barrels to hogsheads to butts. Once collectors understand the intricacies, many have found long-term value in these spirits.

READ MORE: Should clients take a shot at investing in whiskey?

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Hitting the gas on vehicle investments
Luxury and specialty automobiles routinely sell for millions at auction. As one of the flashier collectibles, they can serve as majestic transportation while occasionally appreciating in value.

But the extreme volatility of this market, combined with storage costs and transportation concerns, can leave this investment flat.

READ MORE: Should collectible cars drive an investment portfolio?

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Grabbing on to luxury handbags
Special edition handbags are not only glamorous arm candy, they can command serious prices. When brands release a limited run for an exclusive group of customers, the resale costs can go sky-high.

As with many other collectible assets, storage and maintenance issues are a

concern. And fakes abound in the secondary market, so buyers should beware.

READ MORE: Can luxury handbags make for valuable 'clutch' investments?

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Hitting a high note with guitar investments
Guitars are playable art. For enthusiasts, design, form and function often matter as much or even more than how an instrument sounds.

The right guitar in the hands of the right musician can forever give inherent value to every other copy out there. Given the nature of online sales, a trusted broker is key to making this investment sound right.

READ MORE: Guitars are cool, but how do they play as investments?

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Time for watches
A recent study found that luxury watches "yield significant diversification benefits when being added to well-diversified portfolios comprising stocks, bonds and gold, and even outperform them on a risk-adjusted basis."

Experts say timepieces from certain brands, including Rolex, Patek Philippe and Audemars Piguet, can appreciate over the years.

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